

VUNANI LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1997/020641/06)

JSE code: VUN

ISIN: ZAE000163382

("Vunani" or "the Vunani Group")

ACQUISITION OF FAIRHEADS BY A SUBSIDIARY OF VUNANI

1. BACKGROUND INFORMATION

A sale of shares agreement, dated 10 March 2015 ("the Agreement"), has been entered into by Mandlalux Proprietary Limited ("the Purchaser"), a subsidiary of Vunani (detailed in paragraph 5 below), to acquire 100% of the shares ("the Sold Shares") of Fairheads International Holdings (SA) Proprietary Limited ("Fairheads") for a total purchase consideration of R210 million ("Purchase Consideration") ("the Transaction").

In terms of the Agreement the Key Management (detailed in paragraph 4 below) will receive 30% of the issued share capital of the Purchaser as part of the Purchase Consideration.

The Agreement contains legal warranties and indemnities which are considered normal in respect of a transaction of this nature.

2. DESCRIPTION OF THE BUSINESS CONDUCTED BY FAIRHEADS

Fairheads is an investment holding company, currently holding two wholly owned subsidiaries, Fairheads Benefit Services Proprietary Limited ("FBS") through which its business is being conducted and Fairheads Corporate Services Proprietary Limited, a dormant entity.

FBS is a provider of administration services to beneficiary funds and umbrella trusts for retirement funds and a registered pension funds administrator in terms of section 13B of the Pension Funds Act, 24 of 1956.

Beneficiary funds are typically funds established in order to retain and manage money due as a death benefit under a retirement fund product. Administration services involve managing these monetary funds on behalf of the dependants of deceased retirement fund members.

FBS provides services to some 107 000 dependants with assets under administration of R7.8 billion.

3. RATIONALE FOR THE TRANSACTION

The acquisition of Fairheads represents an opportunity for Vunani to enter a new market and allows Vunani to grow and diversify its existing service offering within the financial services sector.

Although Fairheads operates in an industry where Vunani currently has no exposure, Vunani will be able to add value and assist in the growth of Fairheads via Vunani's current relationships, empowerment status and client base all of which are anticipated to strengthen Fairheads' position in the market and allow it to penetrate into new funds.

Fairheads' revenue is annuity in nature and represents an excellent acquisition opportunity for Vunani and its shareholders. It is a leader in its industry and with Key Management remaining significant shareholders, continuity is ensured at Fairheads' post the Transaction.

4. THE SELLERS

The sellers are the current shareholders of Fairheads, namely R Krepelka, M Brown, G Gould, M Vilabril, T Clark (“Key Management”), P King, R Cowie, T Fairhead, Trustees for the time being of the Mafuta Family Trust, Z Israel, N Overmeyer, A Ebing, A Links, D Hurford, O Meoa, J Brown and T Vogler (collectively, “the Sellers”).

5. PURCHASE CONSIDERATION

Vunani Capital Proprietary Limited, a wholly owned subsidiary of Vunani, has established a wholly owned company, Mandlamart Proprietary Limited (“Mandlamart”), which in turn has established the Purchaser. The Purchaser shall raise bank funding and issue the Consideration Shares to the Key Management.

The Purchase Consideration in respect of the Sold Shares shall be settled as follows:

- 5.1 *A First Cash Payment* – an amount of R141 million payable on the Effective Date to the Sellers in the proportion set out in the Agreement.
- 5.2 *A Second Cash Payment* – a cash payment of a maximum amount of R30 million, based on a formula set out in the Agreement.
- 5.3 *A Milestone Payment* – a cash amount of R24 million payable to those Sellers who are to receive the Consideration Shares (the issue of shares to the Key Management), subject to those Sellers still being shareholders of the Purchaser on the second anniversary of the Effective Date.
- 5.4 *Consideration Shares* – constituting 30% of the issued shares of the Purchaser and valued at R15 million to be allotted and issued, on the Effective Date, to Key Management in the proportion set out in the Agreement and which, once allotted, shall be credited as having been fully paid by the allottee in question.

The Purchase Consideration will be financed as follows:

The Purchaser raising senior debt of	R100 million
Subscription of 70% of the ordinary shares of the Purchaser by Mandlamart*	R35 million
Loan from Mandlamart to the Purchaser**	R6 million

Sub-Total (First Cash Payment) R141 million

The Second Cash Payment will be funded either through senior debt funding or the conversion of that payment into a vendor loan to be settled out of available cash in the Purchaser R54 million

Subscription of 30% of the ordinary shares of the Purchaser by Key Management R15 million

TOTAL R210 million

*Cash injected by Vunani Capital into Mandlamart for subscription of shares in the Purchaser

**Loan from Mandlamart to the Purchaser to assist in funding the First Cash Payment

6. FUNDING OF THE TRANSACTION

As mentioned in paragraph 5, a portion of the Purchase Consideration will be funded via senior debt. In this regard a condition to the Transaction is for the Purchaser to enter into binding agreements to secure such funding ("Funding Agreements").

The negotiations regarding the Funding Agreements are at an advanced stage with a commercial bank. Upon the conclusion and signature of the Funding Agreements a further announcement will be released on SENS providing salient details of such Funding Agreements.

7. EFFECTIVE DATE

The effective date of the Transaction will be the first business day of the calendar month immediately following the calendar month during which the fulfilment of the last of the Conditions Precedent (detailed in paragraph 10 below) occurs.

8. PRE-EFFECTIVE DATE DIVIDEND

A dividend shall be declared as close as possible but prior to the effective date ("Pre-Effective Date Dividend"). The Pre-Effective Date Dividend shall be comprised of two portions namely:

- the sum of R2.94 per Sold Share, inclusive of dividend withholding tax payable thereon ("Interim Dividend"); plus
- an amount, which if paid to the Sellers on the last day of the calendar month immediately preceding the Effective Date, would, immediately following such payment and also taking into account the payment of the Interim Dividend and the Sellers transaction expenses, result in the Company's consolidated assets exceeding its consolidated liabilities on the last day of the calendar month immediately preceding the Effective Date by an amount equal to the greater of 8/52 of the expenditure of FBS, excluding bonuses and directors emoluments, to be set out in the audited financial statements of FBS for the year ended 28 February 2015 and R 15 million.

9. NET ASSETS AND PROFITS OF FAIRHEADS

The value of the net assets of Fairheads which are the subject of the Transaction as at 31 August 2014 was R34 103 352. The profit after tax attributable to the net assets that are the subject of the Transaction for the six months ended 31 August 2014 was R8 969 859.

The value of the net assets of Fairheads and the profit after tax attributable to such net assets has been extracted from the reviewed results of Fairheads for the six months ended 31 August 2014.

10. CONDITIONS PRECEDENT

The Transaction is subject, *inter alia*, to the following Conditions Precedent:

- the requisite approval of Vunani shareholders in general meeting;
- the Funding Agreements are entered into in writing and become unconditional according to their terms;
- the shareholders of the Purchaser approving and adopting the Purchaser's new MOI and Shareholders Agreement;
- the approval by the Competition Authorities in terms of the Competition Act; and
- approval in writing for the implementation of the Sale of Shares Agreement from the Registrar of Pension Funds in accordance with Board Notice 24 of 2002 issued by the Financial Services Board under section 13B of the Pension Funds Act, 24 of 1956.

11. IRREVOCABLE LETTERS OF UNDERTAKING

For purposes of the general meeting detailed in paragraph 12, Vunani has thus far received irrevocable letters of undertaking from shareholders holding or representing a total of 76 308 138 shares, equivalent to 66.54% of all shares eligible for voting at the general meeting. All such shareholders have indicated that they will vote in favour of the Transaction.

12. CLASSIFICATION OF THE TRANSACTION

The Transaction is classified as a Category 1 transaction in terms of the Listing Requirements of the JSE Limited ("Listings Requirements"). Accordingly a circular prepared in terms of the Listings Requirements, containing a notice of a general meeting of shareholders, will be dispatched to shareholders in due course but within the time constraints contained in the Listings Requirements.

Sandton
12 March 2015

Corporate Adviser
Vunani Corporate Finance

Designated Adviser
Grindrod Bank Limited

Legal Adviser to Vunani
Werksmans Inc

Legal Adviser to Fairheads International
Edward Nathan Sonnenbergs Inc

Independent reporting accountants and auditors
KPMG Inc